

Message Text

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PAGE 01 STATE 060193

21

ORIGIN ARA-10

INFO OCT-01 ISO-00 TRSE-00 EB-07 COME-00 /018 R

DRAFTED BY ARA/APU:JMSMITH,JR:JC

APPROVED BY ARA/APU:CEBARTCH

TREAS/OASIA:MR.DAVIS

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EINV, AR

SUBJECT: ITT/STANDARD CASE

REF: BUENOS AIRES 1596

MR. GUILFOYLE OF ITT CONFIRMS THAT SALE OF SHERATON HOTEL IS STILL UNDER DISCUSSION. HE SAYS, HOWEVER, THAT THE RECENT DEVALUATION OF THE PESO HAS CAUSED TWO SNAGS. ONE RESULT OF THE DEVALUATION IS AN INCREASE IN THE TAX LIABILITY. THIS IS NOT SIGNIFICANT WITH RESPECT TO THE \$16.5 MILLION SHARE OWNED BY STANDARD, BECAUSE IN THIS CASE THE TAX LIABILITY CAN BE WRITTEN OFF AGAINST OTHER LOSSES, BUT IT IS IMPORTANT WITH RESPECT TO THE \$3.5 MILLION SHARE OWNED DIRECTLY BY ITT. THE OTHER PROBLEM IS THAT THE DEVALUATION HAS CAUSED THE BOND MARKET TO DROP. ARGENTINE EXTERNAL BONDS ARE NOW SELLING BELOW PAR. THUS THE \$20 MILLION IN EXTERNAL BONDS BEING OFFERED ITT ARE ACTUALLY WORTH ONLY \$18 MILLION. KISSINGER

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Message Attributes

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Disposition Authority: ShawDG
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